

(800) 473-6757

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**MOSTARS**  
Information  
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to speak with trained  
staff members about  
any story in this  
newsletter  
as well as to obtain  
free information about  
state and federal  
student financial  
assistance programs.

(573) 751-3940

**February 2001**



**Missouri Student Assistance Resource Services**

**MOSTARS is the student assistance division of the Missouri Department of Higher Education.**

## Internal Revenue Service Extends Reporting Waiver

Schools that are eligible to participate in federal Title IV student financial assistance programs administered by the U.S. Department of Education are required to file information returns with the Internal Revenue Service to assist taxpayers and the IRS in determining the amounts of Hope Scholarship and Lifetime Learning Tax Credit that taxpayers may claim. These schools also are required to furnish a corresponding statement to each individual named on the information return, reflecting information that is reported to the IRS.

Loan holders that receive interest payments on one or more covered education loans also are required to file information returns with the IRS to assist the IRS in determining the amount of student loan interest that taxpayers may deduct. In addition, loan holders must furnish a corresponding statement to each individual named on the information return, reflecting the information that is reported to the IRS.

**FFEL  
Program  
News**

Carolyn Brown  
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Since the enactment of the Taxpayer Relief Act of 1997, schools and loan holders have been reporting information to the IRS in accordance with interim instructions provided in IRS Notices, pending future publication of final regulations. The history of the Taxpayer Relief Act of 1997 indicates that Congress intended no additional reporting requirements until final regulations were published and for final rules to have an effective date that permitted sufficient time for schools and loan holders to implement any additional reporting requirements. While proposed rules specifying additional reporting requirements were published on June 16, 2000, final regulations are not expected to be issued until some time this year. For that reason, the IRS has announced in Notice 2000-62 that the reporting waiver previously in effect for both schools and loan holders is extended for Calendar year 2001.

**See IRS, page 6**

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This portion of the **MOSTARS** newsletter includes questions and answers about topics that our clients bring to our attention.

If you think there is a need for a published clarification on a particular topic, contact the **MOSTARS Information Center at (800) 473-6757 or (573) 751-3940** to discuss the topic.

If one of your questions is published, pat yourself on the back for asking a question that may benefit other clients.

## For Your Convenience

An information box indicating subject matter accompanies each article in this newsletter.

This box also contains the name of the article's contact person (where applicable) and his or her phone number and e-mail user ID.

The user ID is now the firstname.lastname. The formula for e-mail addresses at the Missouri Department of Higher Education is as follows:

USER ID@mohhe.gov

Remember, you also can contact the **MOSTARS Information Center at (800) 473-6757 or (573) 751-3940**.

**Is the financial aid office required to recalculate a student's cost of attendance if the student reduces the number of enrolled hours?**

**A**n institution may, but is not required to, adjust costs based on a student's change in enrollment or program after a student has been awarded federal Title IV student financial assistance. The institution is not required to identify overawards resulting from these changes.

**Source:** Dear Colleague Letter GEN-90-33, Question/Answer 73

**If one parent has borrowed a Federal Parent Loan for Undergraduate Students for an undergraduate student, can the other parent also borrow a Federal PLUS loan for the same student and the same loan period?**

**Y**es, as long as the second parent meets the eligibility criteria and the combined loan amounts do not exceed the cost of attendance less the estimated financial aid.

**Source:** Common Manual, section 5.4

**Can a legal guardian apply for a Federal PLUS loan if the borrower no longer has contact with either parent?**

**N**o. For the purpose of borrowing a Federal PLUS loan, an eligible parent is a student's natural mother or father or adoptive parent, or the spouse of a parent who has remarried if that spouse's income and assets would be taken into account when calculating the dependent student's expected family contribution. A legal guardian is not considered an eligible parent for the purpose of borrowing a Federal PLUS loan.

**Sources:** 34 CFR 682.201(b)(2)

2000-01 Student Financial Aid Handbook, Direct Loan and FFEL Programs Reference, Chapter 2, pages 8-12.

**A school received the first disbursement of a Federal PLUS loan and mailed it to the parent for endorsement. Before the school received the endorsed check, the student dropped below half-time attendance. Can the school keep the loan proceeds?**

**B**ecause the check was not endorsed while the student was enrolled and eligible, the school may not keep all of the loan proceeds. Because this is a first disbursement, the school can make a late disbursement and use the funds to pay educational costs that the student incurred while enrolled and eligible. The remainder of the disbursement must be returned to the lender.

If it was a second or subsequent disbursement in question, the funds could not be released due to late disbursement guidelines.

**Source:** Common Manual, subsections 6.2.H. and 6.3.H.

**A student attended a program on a borrower-based academic year at quarter-based School 1 for the period May 15, 2000 through Jan. 19, 2001. As a grade level one student, the student borrowed \$2,625. The student is transferring to term-based School 2 for the period Jan. 15, 2001 through May 18, 2001. Can the student receive a loan at School 2?**

**N**o. Because the loan periods overlap and the student received the maximum annual loan limit at School 1, the student is unable to borrow a loan for the January through May term. ★

## Department Unveils New Web Site

**O**n Jan. 2, the Missouri Department of Higher Education unveiled its new web site at [www.cbhe.state.mo.us](http://www.cbhe.state.mo.us). The site is designed to be more interactive and offer new features.

A scrolling message welcomes visitors to the site and highlights upcoming events, announcements, and new features.



The Missouri Department of Higher Education's new web site ([www.cbhe.state.mo.us](http://www.cbhe.state.mo.us)) is designed to be more interactive and offer new features.

### MOSTARS News

CariAnne Cutshall  
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Each topic of information has a menu of related links that appears as the cursor moves over the topic name. The site also includes drop-down menus featuring topics of interest to students, parents,

postsecondary institutions, and lending institutions.

If you have any questions or feedback, contact CariAnne Cutshall, student assistance associate, at (800) 473-6757 or (573) 522-2008. ★

## Advantage Missouri Program Web Update

**T**he web addresses for the Advantage Missouri Program 2001-02 designated academic program inventory and application will change effective March 5.

The address for the designated academic program inventory will be [www.cbhe.state.mo.us/mostars/advmo.htm](http://www.cbhe.state.mo.us/mostars/advmo.htm). The inventory is available by institution, field of study, and degree level. The address for the application will be [www.cbhe.state.mo.us/pdf/advmoapp.pdf](http://www.cbhe.state.mo.us/pdf/advmoapp.pdf). ★

### MOSTARS News

CariAnne Cutshall  
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# Governor Recommends Student Assistance Appropriations

Following is a comparison of state student financial assistance program funding recommended by Gov. Bob Holden for the 2001–02 academic year and the actual appropriations for 2000–01. The actual appropriations for next year will be known in May, after the 2001 legislative session ends. ★

## State Student Assistance Program News

Rhonda Elliott  
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	<b>2000-01 Actual Appropriation</b>	<b>2001-02 CBHE Request</b>	<b>2001-02 Governor's Recommendation</b>
State Student Assistance Program Administration	\$492,653	\$506,309	\$417,207
"Bright Flight" Scholarship Program	\$15,787,000	\$15,787,000	\$15,787,000
Charles Gallagher Student Financial Assistance Program			
General Revenue	\$15,578,436	\$17,078,436	\$16,403,436
Federal – LEAP	\$1,000,000★	\$1,000,000★★	\$1,000,000★★
Grant Program Gift Fund (MOHELA)	\$50,000	\$50,000	\$50,000
Marguerite Ross Barnett Memorial Scholarship Program	\$500,000	\$750,000	\$550,000
Advantage Missouri Program	\$2,930,969	\$4,680,969	\$2,930,969
Missouri College Guarantee Program	\$8,460,000	\$11,000,000	\$10,385,000
Public Service Officer/Employer Survivor Grant Program	\$45,000	\$45,000	\$45,000
Vietnam Veteran's Scholarship Program	\$15,000	\$15,000	\$15,000
<b>Total General Revenue</b>	<b>\$44,859,058</b>	<b>\$50,912,714</b>	<b>\$47,583,612</b>
<b>Total Other</b>	<b>\$1,050,000</b>	<b>\$1,050,000</b>	<b>\$1,050,000</b>
<b>GRAND TOTAL</b>	<b>\$45,909,058</b>	<b>\$51,962,714</b>	<b>\$48,633,612</b>

★ Actual LEAP/SLEAP funds received were \$824,094

★★ Anticipated LEAP/SLEAP funds to be received is unknown at this time



## Publications Order Form

MOSTARS, the student assistance division  
of the Missouri Department of Higher Education

Date Order Submitted \_\_\_\_\_

Date Publications Are Needed \_\_\_\_\_

Name \_\_\_\_\_

Institution \_\_\_\_\_

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Check the category that applies to your institution:

☐ postsecondary institution ★ OE code \_\_\_\_\_

☐ lender ★ OE code \_\_\_\_\_

☐ high school

☐ other \_\_\_\_\_

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## January 2001

MOSTARS is providing this Publications Order Form in an effort to distribute free informational materials about Missouri's student financial assistance programs. For more information, contact the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940.

### GENERAL INFORMATION

- ☐ MOSTARS Folder (9/00)
- ☐ What is MOSTARS? (4/00)
- ☐ MOSTARS Contact Cards (8/98)
- ☐ Resources on the World Wide Web (9/00)
- ☐ Mapping Your Future Site Brochure
- ☐ Choosing the Right School for You (6/00)
- ☐ Need Money for College? Missouri Grants, Scholarships, Loans and More (10/00)
- ☐ Missouri Higher Education Academic "Bright Flight" Scholarship Program Brochure (2001-02 Academic Year)
- ☐ The Smart Approach to Student Loans and Consumer Debt (4/00)

### DEFAULT PREVENTION MATERIALS

**The following items are recommended for postsecondary institutions only.**

- ☐ Entrance Counseling Booklet (12/00)
- ☐ Exit Counseling Booklet (12/00)
- ☐ Mapping Your Future Online Counseling Brochure
- ☐ Mapping Your Future Online Entrance Counseling Postcard
- ☐ Mapping Your Future Online Exit Counseling Postcard
- ☐ Smart Habits for Student Retention & Default Prevention (7/99)+
- ☐ Before You Sign, Think! (10/99)
- ☐ Change of Status Form (10/99)
- ☐ Good News for Defaulted Borrowers (2/99)
- ☐ "Do the Smart Thing" Poster (8/99)
- ☐ "Do the Smart Thing" Poster Contact Card Pads (25 cards per pad) (8/99)

**+ Not for student distribution**



**IRS, from page 1**

IRS Notice 2000-62 clarifies that no penalties will be imposed prior to the issuance of final rules for any failure to file correct information returns or to furnish correct statements. Even after the publication of final rules, no penalties will be imposed for failure to file correct information returns or to furnish correct statements for 2001 if the school or loan holder made a good faith effort to file returns and furnish statements in keeping with the proposed rules or IRS Notice 2000-62.

For 2001, schools and loan holders must follow the reporting requirements for 1998, 1999, and 2000, as summarized below.

**Eligible Schools**

Eligible schools that receive payments, or make reimbursements or refunds, of qualified tuition and related expenses in 2001 will be required to file Form 1098-T, Tuition Payments Statement. (Limited exceptions apply and are described in IRS Notices 97-73 and 98-59.) Data that the school must provide includes:

- ★ the school's name, address, and taxpayer identification number;
- ★ the name, address, and TIN of the student for whom the school received payments of qualified tuition and related expenses during 2001;
- ★ an indication of whether the student was enrolled at least half time during any academic period that began in 2001; and
- ★ an indication of whether the student was enrolled exclusively in a program or programs leading to a graduate-level degree, graduate-level certificate, or other recognized graduate-level educational credential.

The information provided to the IRS also must be provided to the student. Schools should refer to IRS Notice 97-73, as modified by IRS Notices 98-46, 98-59, and 99-37, for complete details on reporting requirements.

**Loan Holders**

Loan holders that receive aggregate interest payments of \$600 or more on one or more covered education loans during 2001 will be required to file Form 1098-E, Student Loan Interest Statement. A covered loan is one that is subsidized, guaranteed, financed, or otherwise treated as a student loan under a local, state, or federal program or by a postsecondary institution. Generally, interest payments that must be reported are those a loan holder receives during the first 60 months in which interest payments are required (excluding grace,

deferment, and forbearance periods). Data the loan holder must provide includes:

- ★ the name, address, and TIN of the loan holder;
- ★ the name, address, and TIN of the payor (i.e., the individual from whom interest payments are received);
- ★ the aggregate amount of interest received during 2001 for the student loan(s) included in the payor's account(s).

The loan holder must provide a statement to the payor that contains the same information that is reported to the IRS. Loan holders should refer to IRS Notice 98-7, as modified by IRS Notices 98-54 and 99-37, for complete details on reporting requirements.

**2001 Data Submission Deadlines**

- ★ For 2001, Form 1098-T or 1098-E, as applicable, must be filed with the IRS by Feb. 28, 2002, if filed on paper or by magnetic tape and by April 1, 2002, if filed electronically.
- ★ Schools and loan holders must provide statements to the individuals named on the information returns that are filed with the IRS that contain the same information as Form 1098-T or 1098-E, as applicable, on or before Jan. 31, 2002.

For 2001, the IRS encourages, but does not require, eligible schools and loan holders to report to the IRS additional information described in proposed rules published in the Federal Register on June 16, 2000. For schools, these additional data elements include the aggregate amount of payments of qualified tuition and related expenses received by the school; the aggregate amount of reimbursements or refunds paid during the calendar year; the aggregate amount of scholarships or grants the school processed for the payment of the student's cost of attendance; and the name, address, and TIN of any taxpayer who will claim a student as a dependent for the purpose of claiming either the Hope Scholarship or Lifetime Learning Tax Credit.

For loan holders, the proposed rules further define the term interest, for the purpose of determining the aggregate amount of interest payments reported to the IRS, by including stated interest, loan origination fees (other than fees for services), and capitalized interest. Refer directly to the Federal Register dated June 16, 2000, for details about proposed IRS reporting requirements for eligible schools and loan holders.

The documents referenced in this article can be obtained by contacting the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940. ★

# Eligible Lender List Changes

## Participation Lists

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To request an MSLP Combined Eligible Lender List, call the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940.

For more information, refer to the August 1998 issue of FFELPfacts. You can view a sample of the list in the October 1998 issue of the MOSTARS newsletter.

The list also is available on the MOSTARS web site at [www.cbhe.state.mo.us/pdf/Indrlist.pdf](http://www.cbhe.state.mo.us/pdf/Indrlist.pdf). ★

## Added

**Classnotes Inc. DBA Educaid c/o SallieMae, OE 802445**  
**Participation Categories: Sub, Sub Pre, Unsub, Unsub Pre, PLUS**  
Added Dec. 13, 2000

## Removed

**Hume Bank, OE 806867-00**  
Removed Dec. 5, 2000

# Word Find

Alternatives  
Assistance  
Cohort  
Consequences  
Counseling  
Default  
Delinquent  
Distribute  
Intervention  
Loans  
Prevent  
Provide  
Reinforce  
Retention  
Supplement  
Support  
Training  
Withdraw

A	F	P	G	B	X	L	M	I	N	T	E	R	Q	T	H	C	K	K	P
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P	C	J	C	N	O	I	T	N	E	T	E	R	P	F	L	I	I	S	C

# Staff News

## Congratulations!

**B**ailey Elizabeth was born on Dec. 22, 2000, to proud parents, Becky and Woody Whithaus. Bailey weighed 6 pounds, 8 ounces and was 19 inches long. Becky, a coordinator in the MOSTARS Information Center, is enjoying every moment of motherhood. Bailey is a very good baby, and she sleeps a lot right now. Becky realizes that there are many exciting, wakeful moments ahead as Bailey grows.

Congratulations to Becky and Woody! ★

**For the Federal Parent Loan for Undergraduate Students/Federal Supplemental Loans for Students promissory notes that provide for a calendar year interest rate adjustment based on the 91-day Treasury Bill method, the interest rate for 2001 is 9.72 percent. The 1999 rate for these loans was 8.48 percent.**

The Missouri Department of Higher Education makes every effort to provide program accessibility to all citizens without regard to disability. If you require this publication in an alternate form, contact the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940. Hearing/speech impaired can call (800) 735-2966.



**3515 Amazonas Drive  
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**FIRST CLASS**

MOSTARS, the student assistance division of the Missouri Department of Higher Education, publishes this newsletter to inform Missouri's higher education community about current issues concerning early awareness and outreach, consumer information, state and federal student financial assistance programs, and student loan default prevention.

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